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Approved For Release 2005/12/14 : CIA-RDP85T00875R001900030205-8

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MEMORANDUM FOR: Mr. Charles Cooper
Assistant Secretary of Treasury
for International Affairs
Treasury Department
RH 3423

Attached is background you requested on the
Shah's IDC commitments

Office of Economic Research

13 November 1974
(DATE)

FORM NO. 101 REPLACES FORM 10-101
1 AUG 54 WHICH MAY BE USED.

(47)

Distribution: (S-Project 6615)
1 - LDX to Mr. Cooper, Treasury Dept.

(18 November 1974)

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Iran: The Shah's Financial Commitments to the LDC's

Iran's oil receipts of some \$18.2 billion this year provide the Shah with the financial spring board for substantial foreign commitments in the form of investments and aid. To date, his total commitments amount to some \$8 billion, and more can be expected before the end of the year. Disbursements in 1974 could be about \$2 billion. As much as \$3 billion in commitments could go to some 13 LDC's, while another \$1 billion may go to the IMF and the IBRD.

The bulk of Iran's bilateral commitments to the LDC's are project-oriented including, for example, mineral development in India, joint-ventures in Egypt, textile and cement plants in Pakistan, fertilizer plants in Sri Lanka and Syria, and dam construction in Tunisia. Oil-related credits, as such, have gone to only two LDC's -- India and Sudan --, enabling those countries to purchase Iranian oil at market (i.e., non-discounted) prices.

Despite his pretenses, the Shah has not been extremely generous in his assistance. His outright grants to the LDC's have been confined to a scant \$100,000 in drought aid to Ethiopia. His repayment terms generally

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have been harder than other OPEC lenders. For example, loans to India and Pakistan call for repayment in five years after a five year grace period and five years after a three-year grace period, respectively. Interest rates range from a low of 2% to 5% on bilateral loans to some fairly commercial rates of return on IMF commitments (7%) and IBRD bond purchases (8%). A majority of the Shah's project credits, moreover, call for some commitment to supply Iran with badly-needed materials; an example in point is the agreement with India calling for supply of iron ore, and bauxite to Iran. In short, the Shah's financial deals with the LDC's are hardly eleemosynary in character and, while being helpful to the LDC's, also provide Iran with benefits.

CIA/OER
13 November 1974

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